Forest Renewal BC
Business Plans 1997/98; 1998/99

Select Standing Committee on Forests, Energy, Mines and Petroleum Resources
Report

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The Legislative Assembly of
British Columbia

Forest Renewal BC Business Plans 1997/98; 1998/99

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October 20, 2000

To the Honourable,
The Legislative Assembly of the
Province of British Columbia
Victoria, British Columbia

Honourable Members:

I have the honour to present herewith the Report of the Select Standing Committee on Forests, Energy, Mines and Petroleum Resources.

The Report covers the work of the Committee on the matter of **Forest Renewal BC Business Plans 1997/98 and 1998/99**.

Respectfully submitted on behalf of the Committee.

Ms. Erda Walsh, MLA
Chair

Mr. George Abbott, MLA
Deputy Chair

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Terms of Reference

The Select Standing Committee on Forests, Energy, Mines and Petroleum Resources was granted the following terms of reference during the Third Session of the Thirty-sixth Parliament:

That in addition to the powers previously conferred upon the Select Standing Committee on Forests, Energy, Mines and Petroleum Resources, the Committee be empowered:

(a) to appoint of their number, one or more subcommittees and to refer to such subcommittees any of the matters referred to the Committee;

(b) to sit during a period in which the House is adjourned, during the recess after prorogation until the next following Session and during any sitting of the House;

(c) to adjourn from place to place as may be convenient;

and shall report to the House as soon as possible, or following any adjournment, or at the next following Session, as the case may be; to deposit the original of its reports with the Clerk of the Legislative Assembly during a period of adjournment and, upon resumption of the sittings of the House, the Chair shall present all reports to the Legislative Assembly.

The Committee is referred the Forest Renewal BC business plan by statute:

Forest Renewal Act (R.S.B.C 1996, Chapter 160)

Section 10 (7) of the *Forest Renewal Act* states that:

The business plan submitted under subsection (6) must be laid before the Legislative Assembly by the Minister of Forests, as soon as practicable, and then stands referred to a Select Standing Committee with responsibility for forests.

This is the fifth review of the Crown corporation's business plan by a committee of the House.

Composition of the Committee

Members

Erda Walsh, MLA	Chair	*Kootenay*
George Abbott, MLA	Deputy Chair	*Shuswap*
Ed Conroy, MLA		*Columbia River-Revelstoke*
Evelyn Gillespie, MLA		*Comox Valley*
Gerard Janssen, MLA		*Alberni*
Rick Kasper, MLA		*Malahat - Juan de Fuca*
Steve Orcherton, MLA		*Victoria-Hillside*
Bill Goodacre, MLA		*Bulkley Valley-Stikine*
Richard Neufeld, MLA		*Peace River North*
Rich Coleman, MLA		*Fort Langley-Aldergrove*
Daniel Jarvis, MLA		*North Vancouver-Seymour*

Clerks to the Committee

Craig James
Clerk of Committees and Clerk Assistant

Kate Ryan-Lloyd
Committee Clerk

Overview of Committee Business

The Committee conducted three meetings on the *Forest Renewal BC Business Plan 1997/98* and three meetings on the *Forest Renewal BC Business Plan 1998/99.*

The Committee was briefed by officials of Forest Renewal BC on their business plan for 1997/98 and 1998/99. Officials took Members through each section of the business plan and described in some detail proposals for the year under consideration.

This Committee report first summarizes highlights of the Committee's review of FRBC's 1997/98 business plan targets and actual outcomes, and then surveys the Committee's examination of the Forest Renewal BC Business Plan 1998/99 and the corporation's strategic planning exercise.

Pursuant to Section 10(7) of the *Forest Renewal Act*, the Committee has fulfilled its obligation to review the *Forest Renewal BC Business Plan 1997/98*, and the *Forest Renewal BC Business Plan 1998/99.*

The Committee wishes to express its appreciation to the officials of Forest Renewal BC who assisted the Committee with various aspects of its review of these business plans.

Recommendations

1. The Committee recommends that the Legislative Assembly accept the *Forest Renewal BC Business Plan 1997/98* and the *Forest Renewal BC Business Plan 1998/99.*

2. The Committee also recommends that Forest Renewal BC continue to adhere to the provisions of the *Budget Transparency and Accountability Act*, particularly its requirements regarding year-end reporting, and that Forest Renewal BC continue to develop performance measures related to the corporation's seven strategic objectives as identified in the *Forest Renewal BC Business Plan 1999/2000.*

FRBC Business Plan 1997-98

FRBC's investments for 1997/98 emphasized:

- increasing the productive capacity of forest lands;
- enhancing the environmental values of forests;
- training forest workers for new jobs;
- strengthening forestry dependent communities; and
- supporting growth and innovation in the value-added manufacturing sector.

Those investment goals were incorporated into the three "themes" chosen for 1997/98: Land and Environment; Worker and Community Transition; and Diversification.

Table 1 **1997/98 FRBC Expenditures by Theme**

1997/98 by Theme	Projected expenditures ($ million)	Actual expenditures ($ million)
Land and Environment	432	499
Worker and Community Transition	98	75
Diversification	29	22
Total investment by theme	559	596
Contingency	66	10
Total program investment	625	606

The 1997/98 business plan anticipated investments totaling $559 million under those three major investment themes, and an additional $66 million for contingency expenditures.

Generating employment was one of the primary goals for FRBC in the year 1997/98. Based on 1996/1997 information on FRBC's contracted projects and FRBC projects administered by the Ministries of Forests and Environment, Lands and Parks, the *FRBC Business Plan 1997/98* attempted to estimate the levels of employment that would result from 1997/98 projected expenditures. FRBC expected that its 1997/1998 investments in Land and Environment, Worker and Community Transition, and Diversification would generate over 9,800 person-years of direct employment.

For reporting on the job-creation outcomes of 1997/1998 investments, FRBC used person-years for Land and Environment programs, number of workers trained for Worker and Community Transition, and number of jobs created for the Diversification theme area. Comparisons between projected and actual employment generated are therefore discussed below under each theme and program.

Land and Environment

The focus of FRBC's Land and Environment plans for 1997/98 was to "enhance the productive capacity and environmental values of forest lands." The key programs in this theme area were enhanced forestry; watershed restoration; resource inventory; research; and recreation. The *FRBC 1997/98 Business Plan* also provided for time-limited investments under the Land and Environment theme in programs for backlog silviculture; woodlot expansion; forest health activities; road and bridge maintenance; and recreation infrastructure maintenance.

FRBC Business Plan 1997-98

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As mentioned, the 1997/98 business plan projected expenditures of $432 million in the Land and Environment theme area. The business plan also projected more than 300,000 hectares of planning and surveying, more than 320,000 hectares of silviculture treatment, and over 500 watershed treatments.

FRBC's job creation mandate is largely carried out through Land and Environment programs, which create direct employment in forest-related industries. The 1997/1998 business plan estimated that 6,661 person-years of direct employment would be created in the Land and Environment program that year. The actual figure for person-years of employment generated by Land and Environment programs was 7,048 person-years.

Table 2 Land and Environment - 1997/98 Investments and Person Years Created

LAND AND ENVIRONMENT	Anticipated Investment ($ million)	Actual Investment ($ million)	Anticipated Person Years	Actual Person Years
TOTALS	484	499	6,661	7,048
Enhanced forestry	101	110.9	2,520	2,316
Backlog silviculture	60	49	1,505	907
Resource inventory	102	121	1,110	1,349
Watershed restoration	96	103	880	1047
Recreation	31	30	565	552
Woodlot expansion	7	3	81	40

ENHANCED FORESTRY

The objective of this program is to increase the productivity of the province's forests. Planned management treatments are designed to maximize the full commercial value of forest lands, while recognizing a range of ecological values.

The productive capacity of forest lands is enhanced by investments in stand tending, including stand improvement, spacing, pruning, fertilizing, forest health activities, and monitoring of operational-scale trials of these activities.

FRBC 1997/98 Business Plan - 33

The actual expenditure under enhanced forestry programming totalled $110.9 million in 1997/98, almost $10 million above the projected investment of $101 million.

The Committee asked why FRBC spent more than anticipated in this program area, while creating fewer person years of employment than expected. FRBC noted that enhanced forestry programs are delivered in every region of the province, giving rise to variations based on local conditions. However, FRBC surmised that the differences in enhanced forestry expenditures and jobs created were the result of higher bid prices by project proponents.

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Impacts of Forest Renewal BC Silviculture Investments on the Contracting Industry

The Committee suggested that the corporation's silviculture investments might negatively impact jobs provided through ministry silviculture programs and the silviculture contracting industry.

FRBC explained that more than 50 percent of BC's forest licensees engage in tree-planting, hiring silviculture contractors to assist them in meeting their basic silviculture obligations to the Ministry of Forests, which provides a great deal of employment for silviculture contractors. The corporation also reported that most tenure holders take up FRBC or other government funding for enhanced silviculture work. Tenure holders are not legally required to conduct enhanced forestry activities, and because as lessees they have no long term land rights, they have little business interest in enhanced forestry. Also, with funding programs such as the federal-provincial Forest Resource Development Agreement coming to an end, FRBC provides an important source of funding for such activities. FRBC investments in enhanced silviculture therefore supplement the basic silviculture investments in the province.

Target Funding Levels for Enhanced Silviculture

FRBC reported that it dedicated 45 percent of every regional budget to enhanced silviculture. In response to Committee questioning, the corporation explained that it had arrived at the 45 percent target to help ensure that reforestation activity wouldn't lag behind other Land and Environment program areas. Allocating part of each regional budget to enhanced silviculture would also assist with regional job creation, since enhanced silviculture programs generate more employment than either watershed restoration or resource inventory programs.

FRBC officials explained that nonetheless regions varied in their use of FRBC's enhanced silviculture funding. Variations between regional investment targets and actual regional investments occurred where local stakeholders felt that such investment levels were not required to meet resource and social objectives.

Watershed Restoration

The objective of the Watershed Restoration Program is to accelerate the recovery of watersheds that have been adversely affected by past timber harvesting or natural causes. Activities funded under the program include assessments and detailed restoration prescriptions, road deactivation and rehabilitation, bridge repair, and rehabilitation of slopes, gullies, streams and riparian zones.

FRBC 1997/98 Business Plan - 35

The Committee heard that the demand for watershed restoration funding exceeds FRBC's program budget in every given year. By 1997/98, FRBC had identified 730 high-priority watersheds and 600 medium-priority watersheds through its Watershed Restoration programs. FRBC representatives told the Committee that restoration of these watersheds could take more than ten years. Accordingly, FRBC decided to focus its 1997/98 program funding on treating the watersheds that had already been identified as high priorities, and to invest less in assessment work.

It was explained that per-job costs vary considerably between in-stream projects, such as stream rehabilitation and riparian restoration, and up-slope projects, like road rehabilitation and deactivation and hill slope and gully restoration. Watershed restoration produced fewer person-years of employment than expected because many of the jobs created under this program were produced through projects that were more expensive overall.

The Committee inquired into the rationale behind expenditures on road deactivation. It was explained that the primary objective of these projects is to mitigate potential environmental risks posed by roads that were constructed prior to the *Forest Practices Code* era standards.

Recreation

The objectives of this program are to enhance forest-based recreation and tourism opportunities in British Columbia, increase public awareness and appreciation of the values of the province's forests, improve forest recreation management, and increase public awareness of Forest Renewal BC's mandate.

Activities funded through the Recreation Program include improving and developing forest recreation opportunities, such as access trails and campgrounds that contribute to recreational use of the resource.

FRBC 1997/98 Business Plan - 36

FRBC told the Committee that 1997/1998 employment figures in the recreation program area did not reach the levels anticipated because many recreation project proposals did not meet program criteria. While projects to construct recreational infrastructures would have generated more employment, recreational land-use proposals, such as proposals to create new protected areas, met FRBC recreation criteria more successfully.

According to FRBC, the Pacific region had a greater uptake of recreation program funding because its recreational land-use proposals fit more closely with FRBC's funding criteria than many of the proposals coming from other regions of the province. Other regions' proposals required heavier use of infrastructure development than the proposals coming from proponents in the Pacific region.

The Committee asked FRBC to explain its eligibility requirements for recreation program funding. FRBC officials noted that the corporation did have some difficulty in establishing the appropriate criteria for assessing proposals under the recreation program area. However, the primary test is whether and to what degree a proposal will improve access to and use of the forest for recreation. As well, recreation programming is allocated according to community needs. Hence, the level and type of recreation investment varies by region.

The committee and FRBC representatives discussed the efficiencies to be gained by moving the recreation program area into the Communities theme area for future business plans. The Committee suggested that the regional disparity evident in 1997/1998 could be avoided if proposals for recreational infrastructures that have potential economic development benefits for communities could be approved and delivered at the community level, as the program criteria intended. Projects with community buy-in, it was suggested, would also assist in ensuring the success of the projects undertaken through recreation programming.

FRBC agreed, and also noted that moving Recreation from Land and Environment to the Communities program area would enable FRBC to share funding responsibilities with community partners. FRBC officials suggested that FRBC might in fact discontinue its Recreation programming as a cost-cutting measure.*

* Forest Renewal BC discontinued the recreation program in 1999/2000.

Backlog Silviculture

Backlog Silviculture Program activities are part of a province-wide initiative to reforest approximately 250,000 hectares of Crown forest land harvested before 1987 and not sufficiently restocked. The objective of this program is to ensure the reforestation of all Crown forest lands that do not currently support sufficient volumes of tree species suitable for harvesting. Work undertaken in this program is expected to increase the province's productive forest land base and, eventually, the timber supply.

During 1997/98, investments in the Backlog Silviculture Program are expected to result in:

- *planning work for 326,000 hectares of forest treatments;*
- *reforestation, brushing and weeding activities on 75,220 hectares of backlog lands; and*
- *1,505 person-years of direct employment.*

FRBC Business Plan 1997/98 - 33

FRBC told the committee that variations between projected and actual rates of expenditure and job creation in the backlog silviculture program were due to the emphasis on carrying out assessments prior to actual fieldwork. As noted in the business plan, in 1997/98 the backlog silviculture program focussed on assessing lands for treatment. Assessment workers are required to have higher skill levels and therefore receive higher rates of pay, yet fewer workers are required for assessment than for treatment. FRBC noted that through assessment work carried out in 1997/1998, FRBC discovered that many areas that had been classified Not Satisfactorily Restocked (NSR) had reforested and were no longer in the NSR category.

Woodlot Expansion

The objective of this program is to double the number of woodlot licences in the province and provide technical assistance to licence holders. Increasing the allowable annual cut available for woodlot licences is expected to expand opportunities for individual involvement in small-scale forest management. It will also increase the amount of private land under forest management.

FRBC 1997/98 Business Plan - 36

Forest Renewal BC began providing funding for woodlot expansion through the Ministry of Forests' woodlot licence program in 1994. FRBC representatives told the Committee that in 1997/1998, the Ministry of Forests had re-evaluated its stated three-year goal of doubling the number of existing woodlots from 500 to 1000, and scaled back its target number to 850. This was due to several planning constraints facing the ministry, including an inability to locate suitable areas for woodlot expansion. As a result, FRBC changed the focus of its woodlot expansion program from identifying suitable sites for new lots to providing better extension services to established woodlot owners.

These two changes accounted for the decreased investment in the woodlot expansion program area and the fewer person years of employment generated. The 40 person years of employment created in this program area in 1997/1998 included the Ministry of Forests staff that deliver the program and the extension consultants that were contracted to assist woodlot owners with preparing silviculture and other plans required by FRBC.

Worker and Community Transition

The Worker and Community Transition theme area focussed on enabling forest workers and forest communities to adapt to transitions in the forest sector. "Transition" refers primarily industry downsizing that has resulted from market trends and technological changes in the industry. FRBC intended to deliver $96 million worth of investments in this theme area in 1997/1998, but ultimately invested only $75 million.

According to FRBC's *Annual Report 1997/1998*, the corporation measured Worker and Community Transition outcomes by calculating the number of clients trained or assisted through this program area. The business plan for 1997/1998, however, projected Worker and Community Transition outcomes in terms of person-years of employment generated. The reason for the change, according to FRBC, was that "[t]he success of these programs, and their real value to people working in BC's forest sector, is more accurately reflected in the number of clients trained or assisted."

The program areas discussed under Worker and Community Transition were forest worker transition; forest worker employment and training; sectoral training; forest and resource technology; and community economic development.

Forest Worker Transition

This program helps unemployed forest workers obtain new jobs, either within or outside the forest industry. Eligible forest workers may access career counselling, funding for training, wage support during training, and self-employment assistance.

FRBC Business Plan 1997/98 - 38

The $2 million additional investment in the forest worker transition program, which assists displaced workers with new skills training, coincided with the beginning of the recession in the forest industry. As the forest worker transition program did not restrict the number of applicants to the program, FRBC experienced much higher than expected numbers of workers entering training. This in turn resulted in higher than budgeted expenditures and more persons trained.

The Committee heard that FRBC contracted delivery agents to provide forest worker transition programming throughout the province. In the lower mainland and on Vancouver Island, forest worker transition programs were delivered by the Office of the Forest Jobs Commission and two IWA locals. Elsewhere in the province, FRBC contracted a range of delivery agents to provide transition services, including community colleges and private sector organizations. Vancouver Island and the lower mainland were served through Forest Jobs Commission primarily because the mill sector of these two areas experienced the greatest downturn in the forest economy, and, as a result, had greater need for the forest worker transition program. *

Forest Worker Employment and Training

The purpose of this program is to help unemployed workers, or those facing work shortages, to identify new work opportunities and to obtain short-term training and job placement assistance. Training and adjustment consultants work with companies and employees to provide skills assessments, career counselling and training.

FRBC Business Plan 1997/98 - 39

The forest worker employment and training program was designed for workers in unstable situations, such as employees at worksites facing imminent shutdowns or shift reductions. This program also assisted under-employed workers gain new skills to qualify them for a wider range of employment opportunities. FRBC found that this program was more efficient than initially anticipated, which explained why costs were down and person-hours of employment were up from what was anticipated in the 1997/1998 business plan.**

* 1998/99, New Forest Opportunities replaced the commission in overseeing the forest worker transition program on Vancouver Island the the Lower Mainland. The forest worker transition program ended in 199/00 as planned.

** The Forest Worker Employment and Training Program ended as planned in 1998/99.

Sectoral Training Initiatives

Over a three-year period (1997/98 to 1999/2000), the Sectoral Training Initiatives Program will support human resource planning, training and adjustment by sectoral groups. Forest Renewal BC has already approved a sectoral training initiative for the pulp and paper industry, with funding of $36.6 million over four years. Other sectoral groups may request funding during the year.

FRBC Business Plan 1997/98 - 40

In the *Forest Renewal B.C. 1997/98 Business Plan*, sectoral training included the new joint union-management program (JUMP), a program to generate workforce improvements in the pulp and paper sector by providing training in English-as-a-second-language, regulatory requirements, pulp and paper production theories, trade skills and other broad-based skills upgrading. *

FRBC reported that almost all mills in the province participated in this program. Each participating mill oversaw the JUMP through a steering committee of union, management and non-union employees, which was also the body to request training for their workforce through FRBC.

Outcomes in this program area did not reach expected levels because FRBC and the steering committees were in the process of setting up approved training courses through community colleges and other delivery agents.

FRBC informed the Committee that savings under Workforce activity area could be explained by the lower-than-expected expenditures on the JUMP program.

* The JUMP program was discontinued in 1999/00

Forest and Resource Technology

Forest Renewal BC investments and other new initiatives in the forest sector, such as the Forest Practices Code, are creating demand for trained forest workers. Colleges offering Forest Technician/Technologist training programs have waiting lists that exceed their annual enrollment capacity tenfold, and graduates of these programs are readily able to find employment in the forest sector.

To ensure that British Columbians can benefit from undertaking the increased level of forest-related work in the province, Forest Renewal BC has developed a time-limited program to increase the number of seats available in two-year forest and resource technology diploma programs across the province.

FRBC Business Plan 1997/98 - 40

FRBC officials told the Committee that the resource technology program provides technical training to forest workers, either through short-term programs or full-course community college programs. For example, FRBC put 50 displaced forest workers through a technical program established in Greenwood, B.C. after obtaining assurances from the local forest industry that there would be jobs for them upon completion. Another project was offered through the Northwest Community College in Smithers, where FRBC sponsored workers to complete full-course technical programs.

More person-hours of training were achieved in this program than originally anticipated for the $2 million expenditure because FRBC was able to establish more college partnerships

than was originally thought possible. That meant the corporation was able to spend less than anticipated on establishing special training sites.

Table 3 Worker and Community Transition - 1997/98 Investments and Person Years Created

WORKER AND COMMUNITY TRANSITION	Anticipated Investment ($ million)	Actual Investment ($ million)	Anticipated Number Trained	Actual Number Trained
F/w transition	30	29	1,110	2,578
Land-based training	15	11	2,140	2,372
Value-added training	9.7	5	1,385	1,069
F/w employment and training	4.8	4	740	1,481
Sectoral training	14	8	2,000	3,883
Resource technology	3	1.5	100 seats added	152 seats added
CED	6	4	100 person-years employment	122 person-years employment

Diversification

The Diversification theme focussed on facilitating diversification in the forest industry through the enhanced processing and manufacture of wood products. Areas discussed under the Diversification theme were value-added finance, forest community business, wood supply, value-added marketing, innovation development and value-added industry diversification.

FRBC officials explained that reduced spending in the Diversification activity area was largely due to startup considerations in the innovation development and value-added finance programs. Proposals generated and approved under the innovation development program were expected to be taken up over the next few years, although the allocated funding earmarked for the program was represented in the 1997/1998 business plan. The value-added finance program funding was also expected to be taken up as community demand increased.

Forest Community Business Program

This program is designed to diversify, stabilize and expand the economic and employment opportunities of forest-based communities by increasing access to financing, business planning support, and training for small businesses in the forest sector. The financing segment of the program has been operational since June 1996, through community-based lenders such as Community Futures and Native Development corporations for loans up to $75,000, and through credit unions for loans of up to $250,000. In February 1997, the corporation added the Business Development Bank of Canada as a lender for loans of between $75,000 and $250,000. In the summer of 1997, a loan-client business management skills component was introduced.

FRBC Annual Report 1997/1998 - 19

FRBC approved and proceeded with 660 loans to existing and new businesses through this program in 1997/1998. FRBC anticipated investing $35 million in this activity and in fact achieved an investment level of only $22 million, leaving $7 million in its contingency plan.

The 1997/1998 investments in the forest community business program created approximately 1,500 jobs and maintained 2,500 jobs. Maintained jobs occurred where

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Forest Community Business Program

This program is designed to diversify, stabilize and expand the economic and employment opportunities of forest-based communities by increasing access to financing, business planning support, and training for small businesses in the forest sector. The financing segment of the program has been operational since June 1996, through community-based lenders such as Community Futures and Native Development corporations for loans up to $75,000, and through credit unions for loans of up to $250,000. In February 1997, the corporation added the Business Development Bank of Canada as a lender for loans of between $75,000 and $250,000. In the summer of 1997, a loan-client business management skills component was introduced.

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FRBC approved and proceeded with 660 loans to existing and new businesses through this program in 1997/1998. FRBC anticipated investing $35 million in this activity and in fact achieved an investment level of only $22 million, leaving $7 million in its contingency plan.

The 1997/1998 investments in the forest community business program created approximately 1,500 jobs and maintained 2,500 jobs. Maintained jobs occurred where

existing businesses obtained loans through the program to expand their operations. FRBC categorizes these as maintained jobs, since loans given to existing businesses represent the expansion of operations that would not have succeeded without FRBC funding. New jobs occurred where new businesses obtained loans from the program to establish completely new operations.

FRBC had some difficulty in quantifying person hours for this program. The corporation anticipated creating 875 new jobs through this program, and B.C. Stats reported that the forest community business program created and maintained 4,244 jobs. However, because B.C. Stats did not convert its figures to person years, FRBC cannot report that all of those jobs were full-time person-years' employment.

Value-Added Finance

Forest Renewal BC recently developed a Value-added Finance Program. Financing for value-added firms will be available through existing commercial lending institutions, at arm's length from the corporation. Lending agencies for the program will be identified in the summer of 1997.

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In the 1997/98 year, FRBC developed the value-added finance program criteria working closely with the Canadian Imperial Bank of Commerce. Clear criteria were needed in order for FRBC to ensure that the program would not distort the market flow of capital investment. In other words, FRBC wanted to ensure that 1) the program would not encourage businesses that could realistically only succeed with FRBC funding, and 2) the program would not create artificial competition in sectors already well-served by established businesses.

Due to its emphasis on planning, FRBC did not make any investments in this program in the 1997/98 fiscal year, or generate its planned person-hours of employment.

Wood Supply

The Wood Supply Program provides funding for initiatives to improve the value-added sector's access to a stable supply of wood. The most significant initiative to date is the BC Wood Fibre Network, an electronic bulletin board with more than 650 subscribers, through which buyers and sellers of logs and lumber can access information about wood supply easily and effectively.

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Through the wood supply program, FRBC chiefly provided money to the Wood Fibre Network, which, as mentioned above, is an electronic bulletin board that enables value-added businesses to link with wood suppliers.

FRBC noted that the actual sales transactions that result from the Wood Fibre Network are carried out by private companies, which are often reluctant to report publicly on their numbers of jobs created. FRBC recognized that in some cases the optimal reporting information is proprietary information belonging to these private companies. Due to the difficulties the corporation has encountered in obtaining reporting information, FRBC has not established a reporting mechanism for this program. However, FRBC estimated that its investments here in the 1997/98 fiscal year didn't produce the volume of employment anticipated.

Value-Added Marketing

The objective of the Value-added Marketing Program is to help BC's value-added producers jointly market their products. The program is designed to provide associations or groups of producers with funds for market information, development, or access projects. These investments will increase the domestic and international demand for existing or new products manufactured by BC's value-added sector.

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Part of the purpose of the value-added marketing program is to build cohesive, regional value-added organizations that can understand the needs of small business and work to get their message across to government, major industry, FRBC and others that impact on value-added business in the province. FRBC reported that this program had been particularly successful.

In 1997/1998, FRBC did less individual company marketing that would have produced market jobs across the province, and instead, on the advice of the value-added community, funded centralized research programs that were broader-based or international in scope to help the industry develop a marketing plan for B.C. products. Projects this fiscal year included research into markets — especially international market penetration — and product development. The program was delivered through various delivery agents, including the B.C. Wood Specialities Group and the Canadian Plywood Manufacturers Association.

FRBC explained that research into a broad-based marketing strategy was viewed as the best use of investment in 1997/1998, even though funding for specific companies would have enabled the corporation to meet the employment-generated targets set out in the 1997/1998 business plan. FRBC did allocate some of this program's budget to facilities, training supplies and marketing information for value-added businesses.

Forestry Innovation Development Program

This program offers support to proponents who are developing innovative products and processes. Development counselling and financial support of as much as $500,000 will be made available for approved projects that will develop or adapt innovative proprietary forestry products or processes.

Financial support under this program will be repayable, and royalties in lieu of interest on the support will be required. The Advanced Systems Institute is delivering the Forestry Innovation Development Program in association with Forest Renewal BC.

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Innovation development is the venture capital program of FRBC. In the fiscal year under consideration, the agency worked with the Advanced Systems Institute, the delivery agent for the program, to define the program criteria so that it didn't overlap with projects that could be funded by conventional banking.

One 1997/1998 program highlight was HeatWave drying, an innovative system of drying lumber with radio waves. FRBC reported that this one project created six additional value-added jobs in the 1997/1998 fiscal year, and that the demand for this technology is expected to grow.

Investment in program clarification was not anticipated by the business plan, which accounts for the discrepancy between person-years of employment anticipated and actual person-years achieved in this program during 1997/98.

Value-Added Industry Diversification

This program assists value-added industry efforts to diversify and grow. Needs analyses, members surveys, wood forums and conferences, association development activities, and other industry initiatives are some of the projects that Forest Renewal BC funds through this program.

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The value-added industry diversification program is designed to link value-added associations into cohesive regional organizations that can more effectively articulate the needs of small business to government, the forest industry and other economic sectors of the province. FRBC provides start-up funding to value-added associations to increase their membership bases on the condition that the organizations plan to become self-sufficient.

In the 1997/1998 fiscal year, FRBC funded five diversification plans, seven studies, 200 hours of database development, and 51 new association members through this program. Investment here also represents funding to approximately seven value-added associations in B.C., from independent lumber remanufacturers to log-home builders.

The Committee heard that FRBC had experienced difficulty in measuring the actual person-years of employment generated in the value-added industry diversification program. FRBC calculated program outputs using data collected by BC Stats, which reported that the forest community business program created and maintained 4,244 jobs. However, because BC Stats figures do not measure jobs in terms of person years, FRBC could not compare its anticipated outputs with actual outputs. FRBC told the Committee that it was currently working on a more effective way of measuring outputs in this program area.

Table 4

DIVERSIFICATION	Anticipated Investment ($ million)	Actual Investment ($ million)	Anticipated Person Years	Actual Outcomes
TOTALS	29	22		n/a
Value-added finance	4	$5,000 total	65	--
Forest community business	7	10	875	*1064 jobs
Wood supply	1.2	0.2	20	825 users
Value added marketing	6	4	80	--
Innovation development	7	0.5	115	--
Value-added industry diversification	1	1	15	--

(*jobs created)

First Nations Participation

Forest Renewal BC recognizes that the forest sector benefits when aboriginal people and their communities are involved in the forest economy. In 1996/97, First Nations benefited from approximately 25 percent of investments, either by being involved in implementing projects submitted by others, or through proposals submitted by First nations themselves. In the 1997/98 fiscal year, the corporation will continue involving First Nations in its investment activities, and expects that First Nations will benefit from a similar percentage of investments.

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FRBC's funding principles include a commitment to encourage the participation of First Nations forest workers on FRBC projects.

The corporation told the Committee that First Nations participation made up 6.8 percent or $40.5 million of FRBC investments in 1997/98. That figure — $40.5 million — represents FRBC investments that were delivered directly by First Nations forest workers. An additional $3.64 million was invested in traditional-use studies under the resource inventory program. It was reported that 12 percent of the workers employed in FRBC programs were First Nations forest workers. FRBC noted that when combined with the number of aboriginal workers employed on FRBC programs in partnership with forest companies, the total FRBC investment into First Nations participation in the 1997/1998 fiscal year was approximately 12 percent.

Table 5

FIRST NATIONS PARTICIPATION	% of Expenditure	$ Million
TOTALS	6.8	40.5
Land and Resources	9.4	22.6
Environment	5.3	13.7
Workforce	2.4	1.5
Communities	13.8	2.7
Value-Added	0.1	.01

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Regional Investment Plans

FRBC's funding principles require that FRBC-funded projects contribute to the corporations goals of obtaining regional input into decision making and delivering regionally equitable programming.

The Committee inquired as to the nature and significance of the regional advisory process and its future evolution. It was explained that stakeholders in each region provided input to regional management on the focus and structure of the planning process in their respective regions. Although input was provided by resource ministries, FRBC maintained its role as the government agency that determines which projects will receive funding.

FRBC also told the Committee that the corporation's six regional offices had been fully established and given increased decision-making and management authority. This reflected the planned evolution away from a centralized decision-making model to a more regionalized model.

It was anticipated that the regional planning process would become increasingly important. That process was expected to take over the functions of assessing the delivery of programs and providing critical feedback; assisting the regional director and the board advisory committees with the development of business plans; and ensuring that diverse regional issues would be accommodated in the business planning process.

Fiscal Plan

The Committee heard that FRBC's total projected revenue for 1997/98 was $522.5 million — $495 million in direct stumpage plus $27.5 million in investment income. The actual total income for 1997/98 was $533.9 million, with $482.7 million in stumpage and $51.1 million in investment incomes. While stumpage revenues were down, FRBC's income exceeded expectations, primarily due to improvements in the stock market.

At the request of the Committee, FRBC officials explained that FRBC funds are managed in blind trust by the Ministry of Finance and Corporate Relations. Its investment portfolio is conservative, containing 70 percent in money markets, 20 percent in short-term bonds, and 10 percent in Canadian equities. It is designed to preserve capital, assure liquidity and maximize returns while maintaining conservative risk parameters.

Revenue and Investment Forecast

The *Forest Renewal B.C. Business Plan 1997/98* set an investment target of $625 million, a total investment of more than the first three years of FRBC's operation combined. This investment figure represented a 36 percent increase over the 1996/97 investment of $396 million. FRBC officials told the Committee that the 1997/1998 business plan expenditures were intended to set the highest margin of Forest Renewal spending, and that the corporation planned to move down to the $500-million range in 1998/99, and to $400 million for subsequent plans. This strategy was designed to give FRBC, after 1997/1998, a long-term contingency or program continuity fund of approximately $400 million.

Due to the planned decrease from $600-plus million in 1997/98 to $500-plus million for 1998/99, FRBC explained that some anticipated projects may not meet community and industry demands. However, FRBC stated that it would meet its contractual commitments

as set out in the 1997/1998 business plan. FRBC also noted that it would complete the 1997/98 business plan as published despite changes to stumpage regulations.

Reporting

Members of the Committee commented that there were some discrepancies between the measures and categories used to predict program outcomes and those used to report on actual program outcomes. For example, the business plan for 1997/98 noted that FRBC had been calculating actual jobs created in person-days of employment, which provided a more accurate measure of the number of persons employed than an estimate based on person years, since many forest jobs are short-term. However, FRBC's predicted employment figures, based on person-years in order to maintain consistency with earlier yearly predictions, underestimate the numbers of individuals provided with work on FRBC projects. It was suggested that FRBC's program evaluations would be more effective were these measures and categories consistent throughout the planning and reporting processes.

Strategic Planning

Starting in the fall of 1997, FRBC undertook an extensive process to consult with stakeholders to determine where the corporation should focus its investments over the 1999– 2003 period. This process generated a five-year strategic plan.

This five-year plan was the first part of that planning process, which started to talk about moving to a level of programming that can be sustained over the long term. It reflected a strategy to reduce investment levels from the 1997/98 levels that were in excess of $600 million to the $500 million range for 1998/99 and to $400 million per year for future years. This reflected the Board's view on a sustainable level of investment in relation to projections, at that time, for long term stumpage levels.

This new strategic direction was implemented in conjunction with a shift, starting in 1998/99, from a proposal-driven system to a planning-based system, This is illustrated by shift towards multi-year agreements for the delivery of land-based programs.

Under this plan, investments are focused according to seven strategic objectives:

- sustainable harvest
- enhanced environmental values
- enhanced knowledge of the forest
- strengthened value-added sector
- creating and maintaining sustainable forest jobs
- assisting forest-dependent communities through transition
- building an effective, efficient organization

In addition, FRBC continued to pursue its founding commitments to regional equity in FRBC program expenditures and outcomes; First Nations participation in the forest economy; and partnering with stakeholder groups — including workers, employers, First Nations, environmental interests, communities and governments — in all FRBC corporate activities.

FRBC explained that the business plan operates on a basis that recognizes that regions have different needs for programs. For example, the northern communities access most of FRBC's inventory investments and the Pacific region accesses most of FRBC's worker-transition and recreational funding.

In its first year of operation, FRBC's program delivery relied on existing ministry infrastructures to manage funding and allocation decisions for programs and regions and to review and approve specific programs. At that stage, the primary contractors were the ministries, and they were responsible for most of the management functions. This enabled FRBC to focus on accelerating its enhanced forestry and complementary objectives before having to establish its own infrastructure.

The proposal-driven system was used during the first four years of FRBC's mandate. This operating procedure recognized the various partnerships that had been involved in the creation of the corporation and opened the doors to a wide range of proponents and new ideas that could be brought into FRBC's policy area. This system required FRBC to develop a different information management system, which developed into a call for proposals process. Proposals were received and screened for eligibility and technical accuracy jointly with FRBC staff and ministries.

Regional advisory processes were established to address partnerships interests. FRBC's internal systems were primarily aimed at tracking the approval and allocation of funds within the funding envelopes. Detailed project data continued to reside with the ministries, who still provided the oversight management and carried out the regulatory requirements under services contracts, in addition to actually handling most of the contract work. The ministries, then, were the primary contractors, and FRBC was relying on their systems while it was developing its own internally.

The proposal-driven system largely examined proposals in isolation from longer-term regional plans. Drawbacks of the system were that yearly funding by envelope area would be consumed at an unexpected rate depending upon the types of proposals that came forward and were approved, and that proposal results could not necessarily be translated into a particular program or regional need. Also, during this time, FRBC's mandate and investment portfolio filled out, requiring FRBC to embark on a process of sorting priorities, refining its decisions and moving into a more strategic, planned approach to information.

The 1998/99 year was a transitional year in that FRBC shifted from basing investment decisions on proposals to using a strategic and local planning. This represented a significant shift in Forest Renewal BC's approach to planning investments.

Also see "Promoting an Effective and Efficient Organization" below.

FRBC Business Plan 1998-99

The second piece of business the committee examined was the *Forest Renewal B.C. Business Plan, 1998/99.*

FRBC's strategic objectives for this fiscal year were:

- sustainable harvest
- enhanced environmental values
- enhanced knowledge of the forest
- strengthened value-added sector
- creating and maintaining sustainable forest jobs
- assisting forest-dependent communities through transition
- building an effective, efficient organization

In addition, FRBC planned to continue to work on its founding commitments to regional equity in FRBC program expenditures and outcomes; First Nations participation in the forest economy; and partnering with stakeholder groups — including workers, employers, First Nations, environmental interests, communities and governments — in all FRBC corporate activities.

FRBC had not anticipated changes to stumpage regulations when drafting the 1998/99 business plan, and when stumpage changes were announced, the 1998/99 plan had already been implemented. FRBC therefore decided to maintain contracts entered into under this plan, but accumulate any savings that occur. FRBC was still anticipating bringing future business plans into line with stumpage and investment revenues, to $300 million or perhaps less, depending on future stumpage forecasts.

Sustainable Harvest

Investments in sustainable harvest programs, part of the Land and Resources envelope, were set at $185 million, equalling 36 percent of total funding for this year. This amount represents a 7 percent decrease from 1997/98 levels, which is less than the overall spending cut of 17 percent, because this program area was of primary importance to FRBC's mandate.

This objective centres around growing better-quality trees through developing enhanced seed stock; investing in fertilizing, spacing and forest health activities to enhance growth and yield; investing in pruning to increase the value of the wood; accelerating reforestation of backlog areas; and promoting the conversion of under-utilized private lands to forestry.

To meet this objective, FRBC planned to consider the full range of scientific evidence targeted at increasing the timber supply. Enhanced forestry, the tree improvement program, backlog reforestation and inventory work are all sustainable harvest initiatives. Through enhanced forestry, FRBC chooses the most effective and cost-efficient means of increasing the timber supply, including researching genetic improvements to planting stock and the optimal spacing and pruning requirements of existing stands.

Enhanced Environmental Values

This objective was to be realized through the continued funding of watershed restoration and the testing of a broader, ecosystem-restoration approach; assisting with the sustainable management of non-timber values such as recreation; assisting with research and inventory information to improve forest management practices and protection of ecosystem integrity; promoting environmental values; and assisting with the development of land-use plans that would provide more certainty for land-based forest industry and FRBC investments.

The total value of investments dedicated to this program area in the 1998/99 business plan was $112 million. This represented a decrease of 24 percent from 1997/98. It aimed for 1,100 person-years of direct employment.

In terms of watershed restoration, FRBC funding was $76 million for 840 kilometres of stream restoration. This investment was to enable FRBC to maintain watershed restoration commitments entered into in previous years and future liabilities to those commitments. However, FRBC said it would not be able to meet community demands and expectations under this program area, but would instead limit investments to watersheds having the greatest environmental concerns.

Recreation was funded at $23 million in the 1998/99 fiscal year. While recreation was not originally considered a core program by FRBC, part of FRBC's mandate is to promote environmental values and broaden forest usage. This program area has strong support from a wide variety of community groups, from the environmental community and the community at large. The demand for trails and campsites to enable public use of the forests has grown, and it has also provided work for displaced forest workers. This FRBC project area has become very popular with communities facing un- or under-employment in the forest industries. Forest-dependent communities look to recreation, trail-building, ecotourism and interpretative parks as an economic diversification strategy. However, FRBC recognized that the spending on this project area would have to decrease in the future as the corporation focuses more on its forest industry enhancement functions. To this end, FRBC was considering moving recreational projects into its Communities envelope, which would confine FRBC's involvement in recreation to community partnerships, as opposed to core programming.

Enhanced Knowledge

This program area is dedicated to initiatives that will provide information and knowledge to improve forest management practices. FRBC planned to work towards achieving this objective by partnering with the Science Council of B.C. to expand applied research and with forest sector partners to obtain better forest inventory information; investing in endowment programs to further knowledge and understanding of forests and forest industry processes; and communicating the resultant information to program delivery partners and the public.

For 1998/99, FRBC allotted $117 million, or 23 percent of program funding from the Land and Resources and Environment envelopes, to knowledge activities. This represented a 24 percent decline in investment from 1997/98. FRBC anticipated generating 1,500 years of direct employment through its knowledge activities in 1998/99.

Part of the decrease in investment was due to the wrapping-up of inventory programs initiated in previous years. The decrease in investment was also due to the focus of this

business plan. In this year FRBC attempted to foster better linkages between funded research and applications, which meant that FRBC's focus in the knowledge/research area in 1998/99 was linking institutions that carry out the research with those that would benefit by the research. The end result was to be that research funded by FRBC would be more quickly applied by agencies requiring information. The board allocated $40 million for the funding of chairs at various post-secondary institutions in B.C., including technical schools, colleges and universities, $5 million in new money for research and $25 million for continuing research projects, such as those examining forest health or wildlife needs.

FRBC's research advisory committee, comprised of representatives from B.C. universities and the private sector, as well as the Science Council of B.C., advise FRBC on its research objectives. In FRBC's long term strategic plan, this program area will be reduced to approximately 5 percent of FRBC's projected total investment of $250 million, or about $13 million annually. This research investment will be directed to research that clearly supports FRBC activities.

FRBC admitted that B.C., compared to other G-7 nations and other national jurisdictions, produces less forestry research, as does Canada as a whole. However, B.C. is a leader in particular research areas, including forest health and firefighting. B.C. has worked with developing nations to teach them B.C.-developed firefighting techniques. B.C. research has also been used in the Nordic countries to develop new ways of propagating lodgepole pine forests. A weak area for B.C.-based research is product innovation. However, FRBC's innovation development fund, which as mentioned has assisted in the development of radio frequency drying, is working to help B.C. companies develop world-class specialty products. Tonewood is another B.C. world leader. Tonewood makes guitar tops and produces research on their product that keeps them at the forefront of their industry.

Strengthening Value-Added

The 1998/99 business plan earmarked $22 million, or 4 percent of total investment — taken from the Value-Added and Workforce envelopes — to the Value-Added objective. This represented a 27 percent increase from the 1997/98 business plan. It was expected to generate 255 person-years of direct employment through the Value-Added Skills Centre and on-site training.

Strengthening value-added sectors is one of the highlights of the *Forest Renewal B.C. Business Plan, 1998/99*. That fiscal year FRBC focussed investment on projects to help the value-added sector become a more effective global competitor. Therefore, in consultation with industry, FRBC decided to direct much of its Value-Added investment toward developing a five-year marketing plan to assist B.C. manufacturers in accessing value-added markets. FRBC also adopted a five-year plan for value-added training programs. FRBC planned to also provide financing for individual value-added companies and associations and training for value-added workers; make fibre available to the value-added sector; foster applied research; and assist value-added producers in implementing new technologies.

FRBC has allocated $7 million to improving the marketing of B.C. products through joint industry-FRBC initiatives targeting Pacific Rim and US markets. These include the Zairai project, which is developing hemlock value-added products; the Canadian Plywood joint agreement, which is promoting B.C. plywood in Japan; and B.C. Wood Specialities, which is co-ordinating an international marketing scheme for value-added industry. Such value-added projects are normally five-year commitments, and require industry to also contribute

funding. FRBC's portion of funding is designed to decline with these partnerships, fostering self-sufficiency in the value-added marketing sector and freeing FRBC investments for other projects.

In this year, $8.3 million in training investments was to be added to the value-added program. FRBC expected that as the value-added sector grows, demand for training in value-added skills will increase, but so will private industry's ability to provide that training. The long-term goal of FRBC in this area is to assist the value-added sector in reaching the point of self-sustainability.

The Value-Added Skills Centre in Abbotsford is currently growing on par with the value-added sector in B.C.'s forest industry. In its first year of operation the centre trained twice as many applicants than expected for its first year of operation. FRBC's role in providing training through the centre is to fund course costs and living expenses for trainees, while the trainee's company pays his or her salary. FRBC depleted its funding before the end of 1997/98, which largely affected people from outside the Fraser Valley who needed FRBC funding to travel from other areas of the province to attend courses. In this business plan year the centre was still training twice as many people yearly than was at first anticipated, but FRBC does not expect to exhaust its allocated funding.

FRBC was working with the B.C. Wood Specialities group on developing training programs in various locations around the province. This investment was to build on the success of the Value-Added Skills Centre by moving it into the regions, where training needs and priorities will be determined. The Value-Added Skills Centre is to provide either the curriculum or act as the delivery agent in the regions, depending on local requirements. This will save FRBC on the cost of supporting Value-Added Skills Centre applicants from outside the Fraser Valley while they access training programs at the centre. FRBC expects that the centre will still provide any comprehensive, specialized skills training required by industry.

FRBC has also done some on-site training, bringing specialists from the Value-Added Skills Centre directly to mills in order to train mill employees on the use of equipment. With the cooperation of these mills, employees from other mills in the community have been invited to participate at on-site, FRBC-sponsored training workshops.

Also under the Value-Added objective, $1.4 million was targeted to the development of new in-plant technologies through the technology transfer program. This program is a joint FRBC-University College of the Cariboo-Forintek project targeting small value-added operations, which often have difficulty adopting new technologies because of the high cost outlays.

Creating and Maintaining Sustainable Forest Jobs

Here FRBC's activities included investing in training to provide workers with skills that will be in demand into the future; maintaining funding on land-based activities to ensure that forests and forest jobs are renewable; priorizing funding to forest industry partners with satisfactory job creation and maintenance plans; and working with all available government agencies to coordinate and secure partnership funding for job training and placement programs.

New Forest Opportunities Ltd. was the key initiative under the sustainable jobs objective in this business plan year. It is FRBC's mechanism for training and placing displaced coastal forest workers and for worker placement activities done as part of the corporation's land-

based projects. NFO provides skills training and eligibility assessments for career placement, and it implements the forest worker transition program by linking crews to FRBC's land-based projects. NFO has been fully operational since April 1, 1998.

FRBC does not have a mechanism in the interior for placing the labour force on land-based programs — New Forest Opportunities serves only the coastal region. The International Woodworkers Association (IWA) and the major licensees are currently negotiating a process for the interior. FRBC's current delivery mechanism for the interior regions is very similar to the NFO model: there is extensive use of consultants in the communities to do the counselling and assessment and to prepare the back-to-work plans. On the coast, however, services for displaced forest workers are together under one management regime — the forest worker transition program is administered in the New Forest Opportunities office. Displaced forest workers can now come into one office and decide whether they want to sign up under New Forest Opportunities or go into the displaced forest worker transition program. This model has led to some reductions in costs compared to when the programs were handled under separate contracts.

NFO also has a "quick response" function to assist communities with urgent needs. For example, Gold River needed workers displaced from the pulp mill to find re-placement in Forest Renewal-funded projects. NFO was able to initiate projects quickly to assist the Gold River community. Through the transition program, NFO also provided trades training for some of the displaced workers at North Island College.

New Forest Opportunities

New Forest Opportunities is a subsidiary company of Forest Renewal B.C., but a limited company and separate legal entity. The organization was first established in November 1997 and became active operationally in April 1998 when it began its job placement activities. New Forest Opportunities manages both the forest worker transition program for the coastal region — which includes a unit in Nanaimo plus two IWA-managed office units in Vancouver and Surrey— and, on the placement side of the activities, the Forest Renewal-funded land base investments.

NFO's mandate includes four key points that were spelled out in the jobs and timber accord as a result of negotiations between industry and government in 1997 and 1998: identifying training needs for displaced forest workers and first nations workers; hiring locally; and prioritizing the hiring of displaced forest workers, first nations peoples and other qualified local people. The last two points centre on stabilizing and maintaining employment. In line with its mandate, NFO is working with project proponents to ensure that projects are scheduled consecutively in order to maintain continuous employment. In the past, under the proposal-based process, projects were not planned with successive scheduling in mind, which led to gaps in employment for FRBC-placed workers.

New Forest Opportunities is part of the multi-year and annual agreements process. FRBC funds land-based activities through the multi-year and annual agreement programs. Project proponents submit and negotiate their projects with FRBC, which must be consistent with FRBC's enhanced forestry and timber supply goals. Areas and quantities treated, funding, timing and employment opportunities are some of the goals that are negotiated between the multi-year and annual agreement holders and FRBC. Once an agreement is in place, project proponents are responsible for project management and awarding work to contractors. NFO then provides the required crews for the contractors' workforces. NFO's priority is

placing displaced forest workers, not just unionized forest workers, but all people who are displaced from forest industry jobs, with a focus on local workers, first nations and other qualified local people.

New Forest Opportunities originated as one of a number of forest worker agency models that came out of the jobs and timber accord negotiations between industry and government that concluded in June 1997. The NFO model was the one selected and brought forward by the forest industry. It is a model for a two-tier forest worker agency. It was agreed that on the coast there would be an agency patterned after the Vancouver Island Highway project's Highway Constructors Ltd. model, and that the interior would have a different model. New Forest model covers the Pacific region, which extends from the Queen Charlottes, the mid-coast, Vancouver Island and the lower coast up through the Fraser Valley. This arrangement recognizes traditional bargaining patterns on the coast — large collective agreements with historically high numbers of unionized workers, both in harvesting and manufacturing. The interior does not have this type of union history; therefore, negotiators agreed upon a different arrangement for delivery of FRBC placement programs there.

Since its inception, NFO has received 13,414 applications to the coast region forest worker transition program and the job placement program. Of that number 13 percent, or just over 1,700 people, applied specifically for the job placement program, and 58 percent, or 7,783 workers, applied for the transition program. Nine percent of the applications are pending, and another 20 percent of applicants were either ineligible or opted out of the program. Of the 13,414 applicants, 2,434 were placed, 1,624 have completed training and being assisted in finding new employment, both in the forest industry and outside the industry.

Since its inception, the coastal forest worker transition program has had 11,912 applications. There were 5,200 eligible and active clients in the program in the year under consideration, and over 2,000 trainees returned to employment or found new employment.

The job placement program placed 1,456 people in this fiscal year, in 3,124 placements on 335 projects. These were largely short-term jobs meant to mitigate the impact of the serious downturn in the forest industry. However, FRBC's new policy of maintaining continuous employment was effective in lining up successive short-term placements.

NFO completed 173 projects, with 40 first nations crews working and 457 first nations people in placements. NFO expenditures were to be approximately one-third of the figure shown, since NFO's training processes had been more focussed than originally anticipated. This figure includes trainee wages as well as some contract training costs.

NFO was contemplating a restructuring of its organization in light of budget constraints and its obligation to deliver future programs for FRBC. It was reported that the placement program will have the staff required to maintain the program, although it will be downsized in response to budget pressures. Intakes to the forest worker transition program, as structured in the 1998/99 business plan, ended in March this year. However, the program continued until the end of March 2000, as various clients finish off their contracts under the current terms of the program.

KPMG Report: "Review of Procurement Practices within the Forest Worker Transition Program"

Committee members asked FRBC and NFO representatives for an update on the status of implementation of a number of recommendations contained in the KPMG report. It was explained that action had been taken on all of the recommendations and that management had anticipated the nature of recommendations and had moved to address approximately half of them prior to the release of the KPMG report. In particular, NFO ensured that it followed government contracting policies.

Angus Reid Survey of Forest Workers

FRBC reported, in response to Committee questions, that a survey of forest workers on the coast indicated that over 80 percent expressed satisfaction with NFO. Over 90 percent of the First Nations workers surveyed indicated that they were satisfied with NFO.

PricewaterhouseCoopers Cost Survey

Pricewaterhouse found that unit costs for silviculture treatments under NFO had increased by approximately 4 or 5 percent over the predicted level and that the trend was for costs to go down. FRBC reported as well that by the end of the 1998/99 fiscal year, unit costs in silviculture in the areas where New Forest operates were returning to close to previous industry levels.

Assisting Forest-Dependent Communities through Transition

The 1998/99 business plan dedicated $53 million to this strategic objective. This amount represented an increase of approximately 9 percent from the 1997/98 business plan. This objective was expected to generate in total approximately 300 person-years of employment.

This objective falls under FRBC's Communities envelope. Key initiatives for 1998/99 were individual worker transition through the forest worker transition program and the community transition and diversification initiatives under the forest community business program. FRBC's plans in this area included supporting economic planning and feasibility studies for local governments and First Nations in forest-dependent communities; assisting new forest businesses in forest-dependent communities; funding displaced worker training for jobs inside or outside of the forest sector; training local workers for jobs on FRBC land-based projects; strengthening infrastructure and support agencies for displaced workers and assisting these forest workers to take advantage of new opportunities; assisting with community capital projects that can provide useful infrastructure; and providing research data and economic development information to forest-dependent communities. Assisting Forest-Dependent Communities programs use a working definition of "forest-dependent community" that includes not only geographic communities, but also communities of workers and first nations communities. A "forest community" is "a community where 10 percent of its direct income is from the forest sector." This definition produces 140 forest communities that FRBC considers when establishing priorities under this objective.

Training provided under "Assist Forest-Dependent Communities through Transition" programs is different than that provided under "Strengthen the Value-Added Sector" or "Create and Maintain Sustainable Forest Jobs" — objectives which seek to fill skill gaps or provide actual jobs through FRBC activities — in that it is designed to do more than retrain

displaced workers. This funding area provides counselling and back-to-work plans for permanently displaced forest workers to help them find new employment in their communities.

There are four separate programs under this strategic objective:

Forest Community Economic Development Program

The first is the forest community economic development program, which provides assistance to communities in crisis to develop economic diversification plans and emergency response programs. FRBC partners with forest-dependent communities to put in place business plans for establishing forest-based businesses. For example, FRBC has funded a number of first nations communities to enter into a joint ventures with licensees. One component of this program is emergency response, a smaller program consisting of a fund of about $2 million set aside for communities in immediate crisis. The funding is used to put in place a community action team for working on community economic development plans.

Forest Community Business Program

The second program, the forest community business program, consists of matched funding and loan funding, both of which are designed to help communities through crises, such as mill closures. The forest community business program provides matched funding and loan funding where communities have established diversification plans or decided to expand a forest industry business, but require assistance to complete their objectives.

FRBC levers money, usually through Community Futures groups, to loan money to forest businesses in order for them to utilize business opportunities. These are usually for small businesses, of five to 25 people, that have identified a business opportunity and created a business plan. Proponents approach a Community Futures group, the Federal Development Bank or, in some cases, even organizations like the Columbia Basin Trust for funding. FRBC partners with these financial institutions to provide loans at market rates and enable these small businesses to move forward.

FRBC reported that this program had achieved a large number of employment opportunities. The failure rate for projects under this program was low, at approximately 5 percent. FRBC was also addressing concerns around communities that have no Community Futures groups, or inactive groups. In these communities, FRBC was flexible in providing funding, for example, partnering with aboriginal development corporations as funding vehicles.

Community Bonds Program

The third program is the community bonds program, a loan program administered for FRBC by the Municipal Finance Authority. FRBC had deposited $10 million with the Municipal Finance Authority to allow local governments to borrow, at market rates, for building community infrastructure in forest-dependent communities. Communities had been slow to use this program at the report date, and FRBC was attempting to determine the reasons for the slow uptake of the program.

Forest Worker Transition Program

The fourth program, and the largest, is the forest worker transition program. Most of the investment under the community assistance strategy in this fiscal year was to be in the forest worker transition program.

Promoting an Efficient and Effective Organization

In the 1998/99 business plan, FRBC embarked on the process of streamlining its operations by implementing a more efficient and strategic land-based delivery and strategic planning system; improving FRBC's ability to adapt quickly to meet new and urgent demands; implementing a corporate program evaluation plan; evaluating administrative structures and staffing according to regional needs; and inviting feedback from partners, proponents and employees to assist in building an effective, efficient organization. The administration budget in the 1998/99 plan was set at $26 million, or 5 percent of total program investments. FRBC has reduced its permanent staff to 193, and there were some changes in staff composition. The business plan operates on a regional equity policy that recognizes that different regions will have different needs for programs. For example, the northern communities access most of FRBC's inventory investments and the Pacific region accesses most of FRBC's worker-transition and recreational funding.

In its first year of operation, FRBC's program delivery relied on existing ministry infrastructures to manage funding and allocation decisions for programs and regions and to review and approve specific programs. At this stage, the prime contractors were the ministries, and they were responsible for most of the management functions. This enabled FRBC to focus on accelerating its enhanced forestry and complementary objectives before having to establish its own infrastructure. FRBC later took over the administration of these objectives, such as the forest worker development program and the forest worker bridging program.

The proposal-driven system was used during the past four years of FRBC's mandate. This operating procedure recognized the various partnerships that had been involved in the creation of the corporation and opened the doors to a wide range of proponents and new ideas that could be brought into FRBC's policy area. This system required FRBC to develop a different information management system, which developed into a call for proposals process. Proposals were received and screened for eligibility and technical accuracy jointly with FRBC staff and ministries. Regional advisory processes were established to address partnerships interests. FRBC's internal systems were primarily aimed at tracking the approval and allocation of funds within the funding envelopes. Detailed project data continued to reside with the ministries, who still provided the oversight management and carried out the regulatory requirements under services contracts, in addition to actually handling most of the contract work. The ministries, then, were the prime contractors, and FRBC was relying on their systems while it was developing its own internally.

The tracking and allocation of dollars through the proposals system was quite direct and FRBC was able to handle it internally, but there was a complex mix of outputs because a wide variety of proponents were involved. The proposals system therefore required some other method of information collection so that the board would not only know what was being spent and what was being allocated, but also what outputs were being achieved. In order to collect this type of information, FRBC commissioned B.C. Stats to ascertain the

necessary specific information to determine dollars, activities and outputs and report back to Forest Renewal. Until now, the B.C. Stats report has been the external mechanism used to gather and report on information other than financial information. Although accurate, B.C. Stats information has limited use for ongoing, day-to-day management, because it is place- and time-specific. In summary, during this time period, FRBC collected information from an internal project tracking system that examined allocations and specific projects; a financial management system that tracked expenditures and payments; and project management systems belonging to the proponents that provided output information and relied very heavily on the B.C. Stats to collect specific information and compile reports.

The proposal-driven system largely examined proposals in isolation from longer-term regional plans. Drawbacks of the system were that yearly funding by envelope area would be consumed at an unexpected rate depending upon the types of proposals that came forward and were approved, and that proposal results could not necessarily be translated into a particular program or regional need. Also, during this time, FRBC's mandate and investment portfolio filled out, requiring FRBC to embark on a process of sorting priorities, refining its decisions and moving into a more strategic, planned approach to information.

The 1998/99 year was a transitional year: FRBC still had B.C. Stats collecting some information and it still had internal information management systems. FRBC was also in the process of building and moving to a new investment management system, an integrated system that brings together into one system all of those earlier components. The development of this system began in 1997 and was expected to be fully operational by 2000. It will be a universal system, able to generate workplan reports at various levels of detail, including information on investments, activities and outputs. With the new system, reporting can also be done on-line, on the same system as planning and approvals. Detailed project plans and prescriptions will not be entered into the system, but will continue to reside with proponents or the ministries. The information management system was, at the time of reporting, undergoing testing and having existing information loaded. The new information management system will enable comparison from 1995 to 1997; however, comparisons with prior years, when information was contained in several systems, may be difficult.

The system will allow on-line planning as well as reporting. The new system will enable proponents to build plans directly on the system and then track them through to completion. This is especially valuable when using a multi-year agreement system, where much of the planning and detail work is done by individual companies. Companies will be able to enter a draft plan into the system, and the ministries can then conduct a technical review on that plan on the system. It can also be reviewed on-line by FRBC staff to ensure that it meets funding criteria and priorities. Then it can be locked in and approved. Once locked in, the plan can be amended only if the amendment is approved. Approved agreements then become part of the formal multi-year or annual agreement. Workplan reports generated at this level will contain a high level of definition, but not detailed project activities. Each large annual agreement or multi-year agreement will have its own workplan report.

FRBC's new information management system will be able to produce reports with varying levels of detail for different purposes:

- Companion reports will allow both the proponent and FRBC project officers to monitor the progress of workplans and track work expenditures, outputs and employment

generated. They will enable FRBC to evaluate forecasts yearly, and get a sense of expenditures, activities and outputs before the long-term plan has played out. Proponents will be responsible for entering data. However, FRBC staff will check on the report entry deadlines and work with companies to ensure compliance with data entry requirements or to correct errors.

- Regional forecast reports, designed for the regional mid-management level, will offer a higher level of workplan detail. Regional managers will be provided with summaries of all activities and programs within a workplan, enabling them to monitor progress within any particular agreement.
- Provincial forecast reports will provide a corporatewide breakdown of commitments by region to the activity level. These reports are designed for FRBC headquarter personnel. They will provide a quick view of expenditures, outputs and employment providewide, and questions raised by this report can be answered by looking at the more detailed, region-level reports.
- Provincewide activity level forecast reports will contain a comprehensive list of all activities and workplans by program and will allow for more detailed review.
- Program-region-district summaries will provide breakdowns by program, region and forest district in activities, investments and person-years of employment.

First Nations Participation

In the 1997/98 business plan, FRBC committed to a 7 percent of program investment involving first nations in both planning and management projects. FRBC's general policy is to continue to honour that percentage of involvement. This program is carried out through the land-based program, in which approximately 60 percent of investments are with large licensees and multi-year agreement holders. As a condition of those, since they are now the delivery agents for that part of the land-based programs, partners are required to honour previous years' commitments to first nations partnerships. The 7 percent commitment will vary by region, judging by historical participation by first nations communities in certain regions. FRBC follows multi-year agreement holders to make sure that they are living up to the required targets. FRBC had also enabled licencees or agreement holders to direct contracts without tendering in order to facilitate first nations participation. FRBC's overall target is that 7 percent of the program investments in the land-based programs will be targeted to first nations participation, mostly in enhanced forestry and some in watershed restoration. Quarterly reports for this fiscal year showed that participation was much higher in some regions. In the New Forest Opportunities area, the Pacific region, participation was higher. It was expected that first nations participation would be slightly higher than 7 percent overall by the end of the fiscal year.

First nations made up 38 percent of the total workforce placements that were created through New Forest Opportunities funding.

Strategic Planning

Finally, FRBC reported on its strategic planning initiative. The improved planning system involves consultation with community proponents and ministries to discuss what objectives are for particular program or regional areas and what investment "suites" would be best to serve that objective. Through consultations, FRBC was planning ahead on what investments would serve longer-term objectives and negotiating agreements to sustain those investments. Every year FRBC will establish a work plan for each company against the

longer-term set of investments that they have agreed to. This new system requires more up-front planning and more timely targets, but is expected to be more effective in achieving high-priority objectives.

In the fall of 1997, FRBC consulted with over 40 communities across the province, as well as a broad range of stakeholder groups, to work on strategies for the current fiscal environment and future frameworks. The 1998/99 business plan was the first plan to incorporate five-year targets aimed at moving expenditures to a level that can be sustained through stumpage and investment revenues over the long term. As mentioned, the 1998/99 business plan was also the first year of a two-year transition period during which FRBC moved from a proposal-driven system to a planning-based system, represented by the multi-year agreements.

Regional Advisory Process

The 1998/99 business plan, like previous plans, was drafted with stakeholder and community involvement. In the past, FRBC's partners were involved in the planning and delivery of investments through the regional advisory process where FRBC and community representatives would discuss investment levels and outputs from previous investments. FRBC expected advisory processes to increasingly move towards a more evaluative framework, since the planning stage will take place through the new process outlined above. Regional consultation will still take place at the planning stage, but more in the form of reporting on intended plans and gathering input on specific proposed directions. Regional consultations will form the first stage of the evaluation process. It will provide qualitative information on program outputs, as well as quantitative information. In the land-based programs, FRBC had started planning directly at the TSA and TFL levels.

FRBC regional directors invite representatives from local government, environmental groups, community groups and members of the forest industry to participate in regional advisory processes in order to obtain a wide cross-section of viewpoints.

Staffing

In 1998/99, FRBC planned changes to reduce FTEs in Victoria and allocate them to the regions in order to implement the new multi-year agreement process. This year the business plan called for a reduction in of 293 FTEs. The regions faced more reductions this year because Victoria eliminated 23 FTEs in the previous year; but over the two years, FTE reductions in Victoria and the regions were to be proportional. This meant the administrative budget remained almost the same, although there was a significant change in terms of its regional focus. FRBC was to also undertake a placement process. Thirty-one of the staff who were given notice of layoff were auxiliaries who don't have any protection under the collective agreement. For those who are under the collective agreement — permanent, unionized staff — the collective agreement requires that FRBC provide offers of other similar work. FRBC had some vacancies in its operation to assist in re-placement, but was to also approach other ministries to find offers of employment. The collective agreement requires a job offer, which an individual is free to accept or not.

The FTE numbers were to go down considerably. Next year's business plan, for 1999/2000, was to be in the order of 115 FTEs. Victoria will likely retain 57 FTEs and the regions approximately 58. The mix of FTEs in Victoria and the regions will differ, but in general the corporation will reduce FTEs by 40 percent.